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DEPARTMENT OF COMMERCE

International Trade Administration

[A-588-845]

Stainless Steel Sheet and Strip in Coils from Japan: Initiation of Expedited Changed Circumstances Review, and Preliminary Results of Changed Circumstances Review

AGENCY: Enforcement and Compliance (formerly Import Administration), International Trade Administration, Department of Commerce.

EFFECTIVE DATE: [Insert date of publication in the Federal Register].

SUMMARY: In response to a request from Hitachi Metals, Ltd. (Hitachi Metals), a producer/exporter of stainless steel sheet and strip in coils (SSSSC) from Japan, and pursuant to section 751(b) of the Tariff Act of 1930, as amended (the Act), 19 CFR 351.216 and 351.221(c)(3)(ii), the Department is initiating a changed circumstances review and issuing this notice of preliminary results. We have preliminarily determined that Hitachi Metals is the successor-in-interest to the merger of Hitachi Metals and Hitachi Cable Ltd. (Hitachi Cable).

FOR FURTHER INFORMATION CONTACT: Terre Keaton Stefanova or Rebecca Trainor, AD/CVD Operations, Office II, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-1280 and (202) 482-4007, respectively.

SUPPLEMENTARY INFORMATION:

## Background

On July 27, 1999, the Department published an antidumping duty order on SSSSC from Japan.<sup>1</sup>

On November 13, 2013,<sup>2</sup> Hitachi Metals informed the Department that effective July 1, 2013, it had merged with Hitachi Cable<sup>3</sup>, and requested that: 1) the Department conduct an expedited changed circumstances review under 19 CFR 351.211(c)(3)(ii) to determine that it is the successor-in-interest to Hitachi Cable for purposes of determining antidumping duty cash deposits and liabilities; and 2) the Department's successor-in-interest determination be retroactively effective as of July 1, 2013, the date on which the merger was completed. We received no comments from any other interested party.

## Scope of the Order

The products covered by the order are certain SSSSC. Stainless steel is an alloy steel containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. The subject sheet and strip is a flat-rolled product in coils that is greater than 9.5 mm in width and less than 4.75 mm in thickness, and that is annealed or otherwise heat treated and pickled or otherwise descaled. The subject sheet and strip may also be further processed (e.g., cold-rolled, polished, aluminized, coated, etc.) provided that it maintains the specific dimensions of sheet and strip following such processing.

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<sup>1</sup> See Notice of Amended Final Determination of Sales at Less Than Fair Value and Antidumping Duty Order: Stainless Steel Sheet and Strip in Coils from Japan, 64 Fed. Reg. 40565 (July 27, 1999).

<sup>2</sup> See Stainless Steel Sheet and Strip from Japan: Request for a Changed Circumstances Review (November 13, 2013) (CCR Request).

<sup>3</sup> Hitachi Cable was a respondent in the 2007 - 2008 administrative review of the antidumping duty order on SSSSC from Japan and received a zero percent dumping margin. See Stainless Steel Sheet and Strip in Coils from Japan: Final Results of Antidumping Duty Administrative Review, 75 FR 6631, 6633 (February 10, 2010).

The merchandise subject to this order is currently classifiable in the Harmonized Tariff Schedule of the United States (HTS) at subheadings: 7219.13.00.31, 7219.13.00.51, 7219.13.00.71, 7219.13.00.81, 7219.14.00.30, 7219.14.00.65, 7219.14.00.90, 7219.32.00.05, 7219.32.00.20, 7219.32.00.25, 7219.32.00.35, 7219.32.00.36, 7219.32.00.38, 7219.32.00.42, 7219.32.00.44, 7219.33.00.05, 7219.33.00.20, 7219.33.00.25, 7219.33.00.35, 7219.33.00.36, 7219.33.00.38, 7219.33.00.42, 7219.33.00.44, 7219.34.00.05, 7219.34.00.20, 7219.34.00.25, 7219.34.00.30, 7219.34.00.35, 7219.35.00.05, 7219.35.00.15, 7219.35.00.30, 7219.35.00.35, 7219.90.00.10, 7219.90.00.20, 7219.90.00.25, 7219.90.00.60, 7219.90.00.80, 7220.12.10.00, 7220.12.50.00, 7220.20.10.10, 7220.20.10.15, 7220.20.10.60, 7220.20.10.80, 7220.20.60.05, 7220.20.60.10, 7220.20.60.15, 7220.20.60.60, 7220.20.60.80, 7220.20.70.05, 7220.20.70.10, 7220.20.70.15, 7220.20.70.60, 7220.20.70.80, 7220.20.80.00, 7220.20.90.30, 7220.20.90.60, 7220.90.00.10, 7220.90.00.15, 7220.90.00.60, and 7220.90.00.80. Although the HTS subheadings are provided for convenience and customs purposes, the Department's written description of the merchandise under review is dispositive.

Excluded from the scope of this order are the following: (1) sheet and strip that is not annealed or otherwise heat treated and pickled or otherwise descaled, (2) sheet and strip that is cut to length, (3) plate (i.e., flat-rolled stainless steel products of a thickness of 4.75 mm or more), (4) flat wire (i.e., cold-rolled sections, with a prepared edge, rectangular in shape, of a width of not more than 9.5 mm), and (5) razor blade steel. Razor blade steel is a flat-rolled product of stainless steel, not further worked than cold-rolled (cold-reduced), in coils, of a width of not more than 23 mm and a thickness of 0.266 mm or less, containing, by weight, 12.5 to 14.5 percent chromium, and certified at the time of entry to be used in the manufacture of razor blades. See Chapter 72 of the HTS, “Additional U.S. Note” 1(d).

Flapper valve steel is also excluded from the scope of the order. This product is defined as stainless steel strip in coils containing, by weight, between 0.37 and 0.43 percent carbon, between 1.15 and 1.35 percent molybdenum, and between 0.20 and 0.80 percent manganese. This steel also contains, by weight, phosphorus of 0.025 percent or less, silicon of between 0.20 and 0.50 percent, and sulfur of 0.020 percent or less. The product is manufactured by means of vacuum arc remelting, with inclusion controls for sulphide of no more than 0.04 percent and for oxide of no more than 0.05 percent. Flapper valve steel has a tensile strength of between 210 and 300 ksi, yield strength of between 170 and 270 ksi, plus or minus 8 ksi, and a hardness (Hv) of between 460 and 590. Flapper valve steel is most commonly used to produce specialty flapper valves in compressors.

Also excluded is a product referred to as suspension foil, a specialty steel product used in the manufacture of suspension assemblies for computer disk drives. Suspension foil is described as 302/304 grade or 202 grade stainless steel of a thickness between 14 and 127 microns, with a thickness tolerance of plus-or-minus 2.01 microns, and surface glossiness of 200 to 700 percent Gs. Suspension foil must be supplied in coil widths of not more than 407 mm, and with a mass of 225 kg or less. Roll marks may only be visible on one side, with no scratches of measurable depth. The material must exhibit residual stresses of 2 mm maximum deflection, and flatness of 1.6 mm over 685 mm length.

Certain stainless steel foil for automotive catalytic converters is also excluded from the scope of this order. This stainless steel strip in coils is a specialty foil with a thickness of between 20 and 110 microns used to produce a metallic substrate with a honeycomb structure for use in automotive catalytic converters. The steel contains, by weight, carbon of no more

than 0.030 percent, silicon of no more than 1.0 percent, manganese of no more than 1.0 percent, chromium of between 19 and 22 percent, aluminum of no less than 5.0 percent, phosphorus of no more than 0.045 percent, sulfur of no more than 0.03 percent, lanthanum of less than 0.002 or greater than 0.05 percent, and total rare earth elements of more than 0.06 percent, with the balance iron.

Permanent magnet iron-chromium-cobalt alloy stainless strip is also excluded from the scope of this order. This ductile stainless steel strip contains, by weight, 26 to 30 percent chromium, and 7 to 10 percent cobalt, with the remainder of iron, in widths 228.6 mm or less, and a thickness between 0.127 and 1.270 mm. It exhibits magnetic remanence between 9,000 and 12,000 gauss, and a coercivity of between 50 and 300 oersteds. This product is most commonly used in electronic sensors and is currently available under proprietary trade names such as “Arnokrome III.”<sup>4</sup>

Certain electrical resistance alloy steel is also excluded from the scope of this order. This product is defined as a non-magnetic stainless steel manufactured to American Society of Testing and Materials (ASTM) specification B344 and containing, by weight, 36 percent nickel, 18 percent chromium, and 46 percent iron, and is most notable for its resistance to high temperature corrosion. It has a melting point of 1390 degrees Celsius and displays a creep rupture limit of 4 kilograms per square millimeter at 1000 degrees Celsius. This steel is most commonly used in the production of heating ribbons for circuit breakers and industrial

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<sup>4</sup> Arnokrome III” is a trademark of the Arnold Engineering Company.

furnaces, and in rheostats for railway locomotives. The product is currently available under proprietary trade names such as “Gilphy 36.”<sup>5</sup>

Certain martensitic precipitation-hardenable stainless steel is also excluded from the scope of this order. This high-strength, ductile stainless steel product is designated under the Unified Numbering System (UNS) as S45500-grade steel, and contains, by weight, 11 to 13 percent chromium, and 7 to 10 percent nickel. Carbon, manganese, silicon and molybdenum each comprise, by weight, 0.05 percent or less, with phosphorus and sulfur each comprising, by weight, 0.03 percent or less. This steel has copper, niobium, and titanium added to achieve aging, and will exhibit yield strengths as high as 1700 Mpa and ultimate tensile strengths as high as 1750 Mpa after aging, with elongation percentages of 3 percent or less in 50 mm. It is generally provided in thicknesses between 0.635 and 0.787 mm, and in widths of 25.4 mm. This product is most commonly used in the manufacture of television tubes and is currently available under proprietary trade names such as “Durphynox 17.”<sup>6</sup>

Finally, three specialty stainless steels typically used in certain industrial blades and surgical and medical instruments are also excluded from the scope of this order. These include stainless steel strip in coils used in the production of textile cutting tools (e.g., carpet knives).<sup>7</sup> This steel is similar to AISI grade 420 but containing, by weight, 0.5 to 0.7 percent of molybdenum. The steel also contains, by weight, carbon of between 1.0 and 1.1 percent, sulfur of 0.020 percent or less, and includes between 0.20 and 0.30 percent copper and between 0.20 and 0.50 percent cobalt. This steel is sold under proprietary names such as “GIN4 Mo.” The

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<sup>5</sup> “Gilphy 36” is a trademark of Imphy, S.A.

<sup>6</sup> “Durphynox 17” is a trademark of Imphy, S.A.

second excluded stainless steel strip in coils is similar to AISI 420-J2 and contains, by weight, carbon of between 0.62 and 0.70 percent, silicon of between 0.20 and 0.50 percent, manganese of between 0.45 and 0.80 percent, phosphorus of no more than 0.025 percent and sulfur of no more than 0.020 percent. This steel has a carbide density on average of 100 carbide particles per 100 square microns. An example of this product is “GIN5” steel. The third specialty steel has a chemical composition similar to AISI 420 F, with carbon of between 0.37 and 0.43 percent, molybdenum of between 1.15 and 1.35 percent, but lower manganese of between 0.20 and 0.80 percent, phosphorus of no more than 0.025 percent, silicon of between 0.20 and 0.50 percent, and sulfur of no more than 0.020 percent. This product is supplied with a hardness of more than Hv 500 guaranteed after customer processing, and is supplied as, for example, “GIN6.”<sup>8</sup>

#### Initiation and Preliminary Results

Pursuant to section 751(b)(1) of the Act, the Department will conduct a changed circumstance review upon receipt of a request from an interested party or receipt of information concerning an antidumping duty order which shows changed circumstances sufficient to warrant a review of the order.

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<sup>7</sup> This list of uses is illustrative and provided for descriptive purposes only.

<sup>8</sup> “GIN4 Mo,” “GIN5” and “GIN6” are the proprietary grades of Hitachi Metals America, Ltd.

As noted above in the “Background” section, we have received information indicating that on July 1, 2013, Hitachi Metals merged with Hitachi Cable, and assumed all operations for the production and sale of the subject merchandise. This constitutes changed circumstances warranting a review of this order.<sup>9</sup> Therefore, in accordance with section 751(b)(1) of the Act, we are initiating a changed circumstances review based upon the information contained in Hitachi Metals’ submission.<sup>10</sup>

Section 351.221(c)(3)(ii) of the Department’s regulations permits the Department to combine the notice of initiation of a changed circumstances review and the notice of preliminary results if the Department concludes that expedited action is warranted. In this instance, because we have on the record the information necessary to make a preliminary finding, we find that expedited action is warranted, and have combined the notice of initiation and the notice of preliminary results.

In making a successor-in-interest determination, the Department examines several factors, including but not limited to, changes in: (1) management; (2) production facilities; (3) supplier relationships; and (4) customer base.<sup>11</sup> While no single factor or combination of these factors will necessarily provide a dispositive indication of a successor-in-interest relationship, the Department will generally consider the new company to be the successor to the previous

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<sup>9</sup> See 19 CFR 351.216(d).

<sup>10</sup> See the CCR Request.

<sup>11</sup> See, e.g., Pressure Sensitive Plastic Tape from Italy: Preliminary Results of Antidumping Duty Changed Circumstances Review, 75 FR 8925 (Feb. 26, 2010), unchanged in Pressure Sensitive Plastic Tape From Italy: Final Results of Antidumping Duty Changed Circumstances Review, 75 FR 27706 (May 18, 2010); Brake Rotors From the People’s Republic of China: Final Results of Changed Circumstances Antidumping Duty Administrative Review, 70 FR 69941 (November 18, 2005) (Brake Rotors), citing Brass Sheet and Strip from Canada: Final Results of Antidumping Duty Administrative Review, 57 FR 2460 (May 13, 1992); and Structural Steel Beams from Korea: Preliminary Results of Changed Circumstances Antidumping Duty Administrative Review, 66 FR 15834 (March 21, 2001).



company if the new company's resulting operation is not materially dissimilar to that of its predecessor.<sup>12</sup> Thus, if the evidence demonstrates that, with respect to the production and sale of the subject merchandise, the new company operates as the same business entity as the former company, the Department will accord the new company the same antidumping treatment as its predecessor.

In its submission, Hitachi Metals explained that effective July 1, 2013, it merged with Hitachi Cable. Hitachi Metals stated that the merger was conducted on an equal basis, but procedurally took the form of an absorption-type merger through which Hitachi Metals became the surviving company and Hitachi Cable became extinct.<sup>13</sup> Hitachi Metals claimed that since the merger took effect, it is operating essentially the same business as the former Hitachi Cable, and there has been no significant change in management, production facilities, supplier relationships, or customer base with respect to the production and sale of the subject merchandise.<sup>14</sup> Hitachi Metals submitted detailed documentation relating to the merger of the two companies (e.g., shareholder meeting report, articles of incorporation, and a copy of the merger agreement.)<sup>15</sup>

With respect to management, Hitachi Metals explained that one of the objectives of the merger was to improve business efficiency through the effective use of management resources.<sup>16</sup> Therefore, its management team does not include all of the former Hitachi Cable managers. Hitachi Metals stated that many of the individuals who were responsible for making

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<sup>12</sup> See e.g., Brake Rotors.

<sup>13</sup> See CCR Request at 3.

<sup>14</sup> See CCR Request at 4.

<sup>15</sup> See CCR Request at 3 and Exhibits 1a through 1d.

<sup>16</sup> See CCR Request at 5.

decisions regarding the pricing and production practices of Hitachi Cable joined the management team of Hitachi Metals, including the former Chairman of the Board of Directors and the former Chief Executive Officer of Hitachi Cable. Additionally, Hitachi Metals provided lists of directors and officers in both companies to support its claim that there are six former Hitachi Cable managers employed as officers at Hitachi Metals, making major decisions regarding the production and sale of the subject merchandise.<sup>17</sup>

Hitachi Metals further explained that its current organizational structure is substantially similar to that of Hitachi Cable, the only difference being that the management team of the former company is now integrated into the larger management structure of Hitachi Metals.<sup>18</sup> The documentation submitted in the CCR Request shows that the former executive director of Hitachi Cable now serves as vice president of Hitachi Metals and president of the company's cable materials business, which includes the production and sale of SSSSC.<sup>19</sup>

Based on this information, and in particular, based on the fact that Hitachi Metals' management team included several Hitachi Cable managers, we preliminarily find that the reorganization resulting from the merger of the two companies did not result in management that was materially dissimilar with respect to the subject merchandise.

With respect to production facilities, Hitachi Metals stated that it did not produce the subject merchandise prior to the merger, and that the only facility producing the subject merchandise is the one formerly operated by Hitachi Cable.<sup>20</sup> In addition to production capacity, Hitachi Metals provided the name and address of this factory, which is the same as

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<sup>17</sup> See CCR Request at 5-6 and Exhibits 2-3.

<sup>18</sup> See CCR Request at 6-7.

<sup>19</sup> See CCR Request at Exhibits 4-5.

the factory in which Hitachi Cable produced the subject merchandise during the period of the 2007-2008 administrative review, the most recent review of the antidumping duty order of SSSSC from Japan.<sup>21</sup> Based on this information, we preliminarily find that the merger did not result in material changes to the production of the subject merchandise.

With respect to suppliers and customers, Hitachi Metals provided charts showing no difference between suppliers and customers before and after the merger.<sup>22</sup> Hitachi Metals explained that the merger had no effect on the customers or sales practices in either the U.S. or Japanese markets, as Hitachi Metals sells the subject merchandise to the same customers in exactly the same manner as Hitachi Cable did. The only difference cited by Hitachi Metals is that Hitachi Cable's U.S. subsidiary, Hitachi Cable America Inc., became a subsidiary of Hitachi Metals after the merger.<sup>23</sup>

Based on the evidence reviewed, we preliminarily determine that Hitachi Metals is the successor-in-interest to the merger of Hitachi Metals and Hitachi Cable. Specifically, we find that the merger of these two companies resulted in no significant changes to management, production facilities, supplier relationships, and customers with respect to the production and sale of the subject merchandise. Thus, Hitachi Metals operates as the same business entity as Hitachi Cable with respect to the subject merchandise. If the Department upholds this preliminary determination in the final results, Hitachi Metals will retain the antidumping duty deposit rate currently assigned to Hitachi Cable with respect to the subject merchandise (i.e., 0.00 percent). However, because cash deposits are only estimates of the amount of

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<sup>20</sup> See CCR Request at 2 and 7.

<sup>21</sup> See CCR Request at Exhibit 6.

<sup>22</sup> See CCR Request at Exhibits 7-9.

antidumping duties to be assessed, changes in cash deposit rates are not made retroactively.<sup>24</sup>

Therefore, no retroactive change will be made to Hitachi Metals' cash deposit rate, as Hitachi Metals requested. If these preliminary results are adopted in the final results of this changed circumstances review, we will instruct U.S. Customs and Border Protection not to suspend liquidation of entries of SSSSC made by Hitachi Metals, effective on the publication date of the final results.

#### Public Comment

Interested parties may submit case briefs and/or written comments not later than 30 days after the date of publication of this notice. Rebuttal briefs and rebuttals to written comments, which must be limited to issues raised in such briefs or comments, may be filed not later than 37 days after the date of publication of this notice. Parties who submit case or rebuttal briefs are encouraged to submit with each argument: (1) a statement of the issue; (2) a brief summary of the argument; and (3) a table of authorities. All comments are to be filed electronically using Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (IA ACCESS) available to registered users at <http://iaaccess.trade.gov> and in the Central Records Unit, Room 7046 of the main Department of Commerce building, and must also be served on interested parties.<sup>25</sup> An electronically filed

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<sup>23</sup> See CCR Request at 8-9.

<sup>24</sup> See Notice of Initiation and Preliminary Results of Antidumping Duty Changed Circumstances Review: Certain Frozen Warmwater Shrimp from India, 77 FR 64953 (October 24, 2012); see also Certain Hot-Rolled Lead and Bismuth Carbon Steel Products From the United Kingdom: Final Results of Changed-Circumstances Antidumping and Countervailing Duty Administrative Reviews, 64 FR 66880 (November 30, 1999).

<sup>25</sup> See 19 CFR 351.303(f).

document must be received successfully in its entirety by IA ACCESS by 5:00 p.m. Eastern Standard Time on the day it is due.<sup>26</sup>

Consistent with 19 CFR 351.216(e), we will issue the final results of this changed circumstances review no later than 270 days after the date on which this review was initiated, or within 45 days if all parties agree to our preliminary finding. We are issuing and publishing this finding and notice in accordance with sections 751(b)(1) and 777(i)(1) of the Act and 19 CFR 351.216.

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Christian Marsh  
Acting Assistant Secretary  
for Enforcement and Compliance

Dated: December 24, 2013.

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<sup>26</sup> See 19 CFR 351.303(b).